

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of **Midwest Guaranty Bank, Troy, Michigan** prepared by the **Federal Reserve Bank of Chicago**, the institution's supervisory agency, as of **April 25, 1997**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.

INSTITUTION'S RATING: This institution is rated **Outstanding**.

The bank generally promotes economic revitalization and growth, consistent with its size, financial capacity, location, and current economic conditions. The bank's loan-to-deposit ratio and lending to borrowers of different income levels exceed standards for satisfactory performance. The bank's lending in its assessment area meets standards for satisfactory performance. Lending to businesses is a leading indicator of the bank's CRA performance and is considered the primary lending product by management. The bank's lending to businesses of different sizes exceeds standards for satisfactory performance.

DESCRIPTION OF INSTITUTION

The Midwest Guaranty Bank, with total assets of \$93.8 million as of March 31, 1997, is a subsidiary of Midwest Guaranty Bancorp, Inc., a one bank holding company. The bank operates four full service offices located in Troy, Livonia, Beverly Hills, and Bloomfield Hills. Although the bank offers a variety of loan and deposit products to consumers and businesses, the bank's primary focus is small and medium size business lending. Loans to commercial and industrial businesses comprise approximately 75% of the bank's loan portfolio.

Management stated that the bank's primary competitors for lending products are branches of NBD Bank (Detroit) and Comerica Bank (Detroit). In addition, main offices and branches of Flagstar Bank FSB (Bloomfield Hills), The Bank of Bloomfield Hills (Bloomfield Hills), Huntington Banks of Michigan (Troy), Standard Federal Bank (Troy), Michigan Bank FSB (Troy) and Crestmark Bank (Troy) are in the bank's assessment areas.

DESCRIPTION OF ASSESSMENT AREA

The bank has designated four separate assessment areas, one for each office location. All of the assessment areas are in the Detroit Metropolitan Statistical Area (MSA). Three of the assessment areas are in Oakland County and one, Livonia, is in Wayne County.

Troy Assessment Area

The assessment area is approximately 15 miles north of Detroit and contains 18 census tracts. According to 1990 census data, the area has a population of 72,915 with 9% being minority. Asians comprise the largest minority group, approximating 69% of the minority population. The city of Troy's labor force had an unemployment rate of 1.8% for March, 1997, according to the Michigan Employment Security Commission. Major employers in the area are Ameritech Publishing Inc., William Beaumont Hospital, Entech Services Inc., Kelly Temporary Services and K-Mart Stores Headquarters, according to the Oakland County Economic Development Corporation.

Livonia Assessment Area

The assessment area is approximately 20 miles west of downtown Detroit and contains seven census tracts. According to 1990 census data, the area has a population of 30,328 with 3% being minority. Asians comprise the largest minority group, approximating 57% of the minority population. The City of Livonia's labor force had an unemployment rate of 1.6% for March, 1997. Major employers in the area are the Ford Motor Company and General Motors Corporation.

Beverly Hills Assessment Area

The assessment area is approximately 20 miles northwest of Detroit and contains four census tracts. According to 1990 census data the area has a population of 14,721 with less than 2% being minority. The area's labor force had an unemployment rate of 1.9% for March, 1997. Major employers in the area are the Birmingham School District and Detroit Country Day School.

Bloomfield Hills Assessment Area

The assessment area is approximately 21 miles northwest of Detroit and contains 12 census tracts. According to 1990 census data, the area has a population of 46,655 with less than 8% being minority. Asians comprise the largest minority group, approximating 65% of the minority population. The Bloomfield Township labor force had an unemployment rate of 1.3% for March, 1997. Major employers in the area are Cranbrook Institute of Science and Art, D=Arcy Masius Benton & Bowles, and Ross Roy Group Inc.

The bank's combined assessment areas have a population of 164,619 with 7.1% being minority, according to 1990 census data. The largest minority group is Asian making up 66% of the minority population. The assessment areas contain 41 census tracts and have no low- or moderate-income areas, or areas with high minority concentrations. The median family income for the combined assessment areas is \$70,952. This compares with the median family income for the MSA of \$40,727 and for the state of \$36,652, according to census data. Unemployment rates for the combined assessment areas compare very favorably to the rate for the State of Michigan (4.8%) and for Oakland County (3.1%) for March, 1997. Housing stock for the combined assessment areas is 80.2% owner-occupied. This compares with 65.6% for the MSA and 63.1% for the state.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

The examination did not reveal any evidence of prohibited discriminatory lending policies, procedures, practices or acts. In addition, there were no practices detected that would discourage loan applicants. No violations of the substantive provisions of antidiscrimination laws were found.

Loan-to-Deposit Ratio

The bank's seven-quarter average loan-to-deposit ratio is 82.11%. The bank's quarterly loan-to-deposit ratio for December 31, 1996 is 84.75, which compares favorably to the bank's peer group loan-to-deposit ratio of 69.85.

The bank's March 31, 1997, loan-to-deposit ratio exceeds the ratios of all commercial banks with main offices in the bank's assessment areas:

March 31, 1997 Quarterly Loan-to-Deposit Ratios		
Bank Name	Assets (000s)	Ratio
The Bank of Bloomfield Hills	\$102,353	77.97%
Crestmark Bank	\$25,404	76.65%
Huntington Banks	\$2,117,270	62.48%
Midwest Guaranty Bank	\$93,778	83.01%

The bank's loan-to-deposit ratio exceeds standards for satisfactory performance, based on the bank's performance compared to its peer group, local competition, and considering the bank's size, financial condition, and the credit needs of its assessment area.

Lending in Assessment Areas

Because business loans are the primary lending product of the bank, an analysis of all of the bank's loans outstanding to businesses was reviewed. This review revealed that 57.02% (483/847) of the loans were made within the bank's assessment areas. A review of consumer lending was not conducted. Based on the focus of the bank's lending, such a review would not represent the bank's performance.

The bank's lending in its assessment areas meets standards for satisfactory performance because the majority of business loans reviewed were made within the assessment areas.

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

A review of the June 30, 1996, Consolidated Report of Condition revealed that the bank made all of its business loans are considered small. Small business loans are defined as those with original amounts of \$1 million or less. Approximately 21% of the bank's business loans were in amounts equal to or less than \$100,000; 29% were in amounts equal to or less than \$250,000 but greater than \$100,000; and 50% were in amounts equal to or less than \$1 million but greater than \$250,000.

A review of the examination consumer loan sample, for which income information was available, revealed that the bank made 22% of these loans to low-income borrowers, 24% were to moderate-income borrowers, 43% were to middle-income borrowers, and 11% were to upper-income borrowers. According to census data, the population of the bank's combined assessment areas is distributed as follows: low-income 4%, moderate-income 7%, middle income 14%, and upper-income 74%.

The bank's lending to borrowers of different incomes and businesses of different sizes exceeds

standards for satisfactory performance. The entire business lending portfolio consists of small loans. The distribution of loans sampled to borrowers of different incomes exceeds the distribution of income for the total assessment area's population.

Geographic Distribution of Loans

The bank's assessment areas contain 41 census tracts. These include 4 middle-income tracts and 36 upper-income tracts. Since there are no low- or moderate-income geographies within the bank's assessment areas, this criterion was not rated.

Response to Complaints

No CRA-related complaints were received since the previous examination.